# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

STARRED QUESTION NO:296
ANSWERED ON:12.08.2005
IRREGULARITIES IN REGIONAL RURAL BANKS
Kushwaha Shri Narendra Kumar;Shiwankar Shri Maha Deo Rao

**Will the Minister of FINANCE be pleased to state:**

(a) the total number of cases of misappropriation/fraud detected alonsjwith file amount involved in it in Regional Rural Banks; during the last three years till date;

(b) whether the Government has enquired into i:he cases of fraud/misappropriation by Regional Rural Banks ;

(c) if so, the details thereof ;

(d) whether there has been any lapse on the part of RBI/NA8ARD in monitoring the working of thesebanks;

(e) if so, the details thereof; and

(f) the steps taken by the Government to check such irregularities?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S.PALANIMAN-ICKAM)

(a) to (f): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (f) of the Lok Sabha Starred Question No. 296 for 12th August 2005 regarding Irregularities in Regional Rural Banks tabled by Shri Narendra Kumar Kushawaha & Prof. Mahadeorao Shiwankar.

(a): As reported by National Bank for Agriculture and Rural Development (NABARD), the number of cases of misappropriation/fraud detected in Regional Rural Banks (RRBs) alongwith the amount involved during the last three years is as under:

(Rs in Lakhs)

| Year | Number of cases | Amount Involved |
|---|---|---|
| 2001-2002 | 139 | 211.75 |
| 2002-2003 | 236 | 548.38 |
| 2003-2004 | 328 | 792.10 |

(b) & (c) : Enquiry into the cases of fraud/misappropriation is conducted by RRBs themselves and reported to NABARD, RBI and the concerned sponsor bank. Appropriate further action is taken thereafter by the RRB.

(d) & (e): No such incidence has come to the notice of the Government.

(f) : National Bank for Agriculture and Rural Development (NABARD) has advised the RRBs to adopt the following measures to check the cases of fraud/misappropriation:

# Nominate a senior officer who will be responsible for submitting alt the returns relating to frauds to NABARD and Sponsor Bank.

# Fix staff accountability in respect of delays in reporting cases of frauds to NABARD.

# Prompt reporting of information relating to frauds to the Board of Directors.

# Prompt filing of cases with the police and follow-up thereafter.

# Clear all backlog in reconciliation of more than six months old entries in inter-bank and inter-branch accounts.

# Strengthen the internal control mechanism in banks through vigilance cells and improvement in the system of audit, through inspection reports, guidelines, etc.

# Have an effective vigilance machinery to bring in systemic corrections so as to prevent recurrence of frauds and to create awareness among the staff to prevent the increasing incidence of frauds, through training programmes.

# Board of directors of RRBs to review the cases of fraud/misappropriation on quarterly and annual basis.